



3 INCLUSIVE GROWTH AND JOBS

A combination of structural reforms and increasing remittances has fueled the country's high growth rates. While growth has begun to generate broad-based improvements in welfare, it has not been as inclusive as it might have been. Median incomes have risen much slower than GDP per capita, while the wealth of the Filipino elite has expanded much faster than the overall economy. The pace of creating good jobs also remains inadequate. Millions of workers have moved out of low-productivity jobs in agriculture, and half of all workers now hold wage jobs with private firms. But the large bulk of these jobs pay meager wages, and fewer than half offer basic benefits.

Historically, many policies have not favored broad-based growth. Economic competition has been restricted by policies that favor existing conglomerates. Labor regulations have benefitted only those with formal wage jobs—less than a quarter of the workforce. Decades of underinvestment in infrastructure have limited possibilities for the private sector. The country has also failed to realize the promise of its natural resources. In particular, agriculture has been hampered by a heavy focus on rice, to the detriment of other agricultural products with far greater potential.

Confronting these constraints can simultaneously help the country maintain its high levels of growth, boost inclusiveness, and create good jobs. Further private sector growth will increase the demand for labor, which will lead to more employment and higher wages. Within the broad constraints outlined here, emphasis on addressing areas that most directly affect the less well-off can make growth more inclusive. For example, reducing the barriers to creating a small business and building and maintaining rural roads can boost shared prosperity.

This chapter considers the constraints to inclusive growth and job creation across three areas: limited economic competition, rigid labor regulation, and large infrastructure gaps. It also examines particular challenges in agriculture, fisheries, and natural resources, which are given special attention because of the large share of the poor they employ. Further analysis of constraints to specific sectors can be found in the WB-IFC Country Private Sector Diagnostic.

Box 2: Country Private Sector Diagnostic

A Country Private Sector Diagnostic (CPSD) was recently completed by a WB-IFC team. The objective of the CPSD is to identify cross-cutting and policy constraints that hinder the expansion of market opportunities and subsequent private sector investment. The diagnostic identifies inadequate infrastructure and lack of competition as the main constraints and offers an extensive sector-by-sector analysis.

The CPSD points in particular to the lack of competition in most infrastructure markets. Limited competition has resulted in high costs and limited service quality for transportation services, electricity,

and digital infrastructure. Poor infrastructure and corresponding expensive utility costs discourage private sector investment and subsequent job creation.

The CPSD also highlights the regulatory and trade restrictions that limit competition and investment more generally. Firms trying to enter markets are discouraged by the complexity of regulatory procedures, administrative burdens on startups, and regulatory protection of incumbents. Similarly, firms requiring imports and wanting to export face high trade costs. Over 93 percent of exporters and 98 percent of importers report procedural obstacles as the main barriers to trade, the highest among peer countries.

3.1. Economic Competition

The Philippines' unlevel economic playing field limits growth, inclusion, and job creation. Large, established, and well-connected firms have advantages that limit opportunities of newer firms and entrepreneurs without connections. A more level playing field would produce greater competition, resulting in lower prices for goods and services, higher quality, more innovation, higher growth, and more jobs. Competition pressures firms to become more efficient to avoid exiting the market. It also ensures that when more productive firms increase their market share, it is at the expense of less productive ones. Greater competition erodes the rents that otherwise accrue to firms with monopoly or oligopoly power. Additionally, the presence of only a small number of employers, known as monopsony power, can repress wage growth. Given the dominance of a single employer in many rural areas, monopsony power may be one factor limiting wage growth in the Philippines.

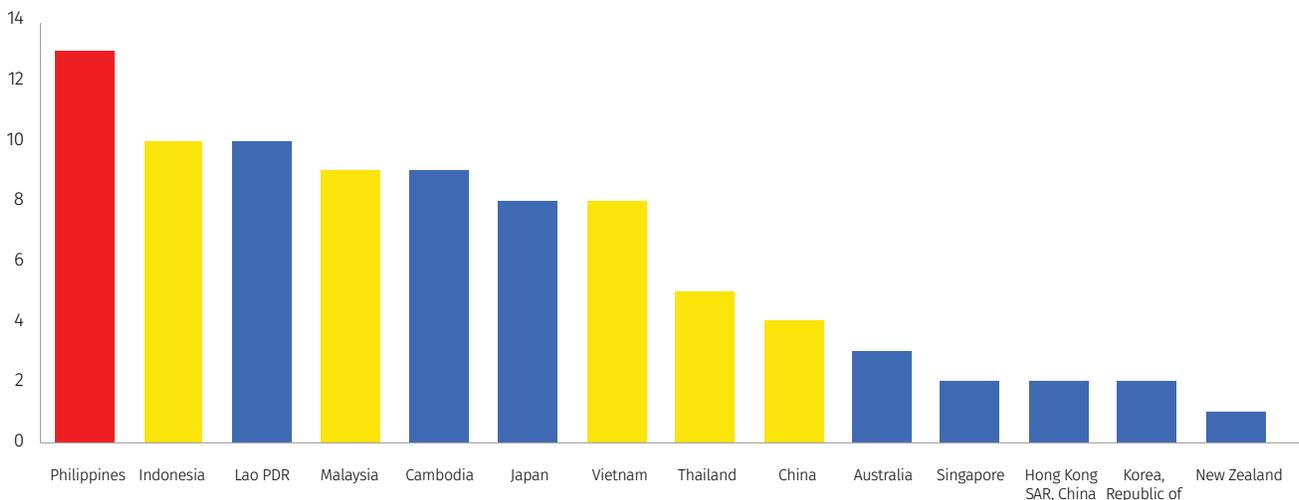
The unlevel playing field is largely the consequence of government regulations. One key barrier to inclusion and the formation of small businesses is the high regulatory hurdle to forming a new firm. The Philippines is one of the most difficult places in the world to start a business. In terms of the Starting a Business subindex of the 2020 Doing Business indicator, the country

ranks 171 out of 190 countries. (It ranks 95th in the overall Doing Business rankings.) Thirteen procedures are required to start a business (Figure 34). Only two other economies in the world require more procedures. The Philippines also ranks very poorly in enforcing contracts (152 out of 190), which may create particular challenges for smaller firms. Product market regulation (PMR) data show that the country's regulatory environment is more restrictive than comparator countries. Furthermore, price controls and other regulations that limit competition in input markets, such as professional services, hinder the competitiveness of downstream firms. World Bank (2018c) estimates indicate that tackling the restrictions in the services sector could boost GDP growth by 0.2 percent per year.

Public subsidies given to particular firms further limit competition. The discriminatory granting of government subsidies to firms, whether state-owned enterprises (SOEs) or private players, can uneven the playing field between competitors. World Bank research shows that 8 percent of product markets across sectors reported at least one firm receiving a subsidy. In 40 percent of those markets receiving subsidies, just one firm received a subsidy (World Bank 2018c).

High trade costs further restrict competition and reduce opportunities for domestic firms to access

Figure 34: Number of Procedures to Start a New Business, 2019



Source: World Bank 2020.

Note: Regional peers are shaded yellow.

larger markets. Trade costs in the Philippines are among the highest in ASEAN. Investors in the Philippines pay twice as much as those in Thailand to export or import a shipping container. In addition, the Philippines ranks lowest among peer countries on the World Bank's Logistics Performance Index; it scores especially low on connectivity to international markets.¹⁴ Besides tariffs, importing and exporting firms need to comply with nontariff measures (NTMs), which encompass a wide range of requirements, including technical regulations, product standards, and custom procedures. NTMs have become an increasingly important obstacle to trade in the Philippines. A survey conducted by the International Trade Center in 2015 shows that 60.7 percent of Philippine exporters and 69.6 percent of importers reported obstacles due to NTMs. These figures are high compared with peers.

Partly because of restrictions on competition, the innovation ecosystem lags behind ASEAN peers.

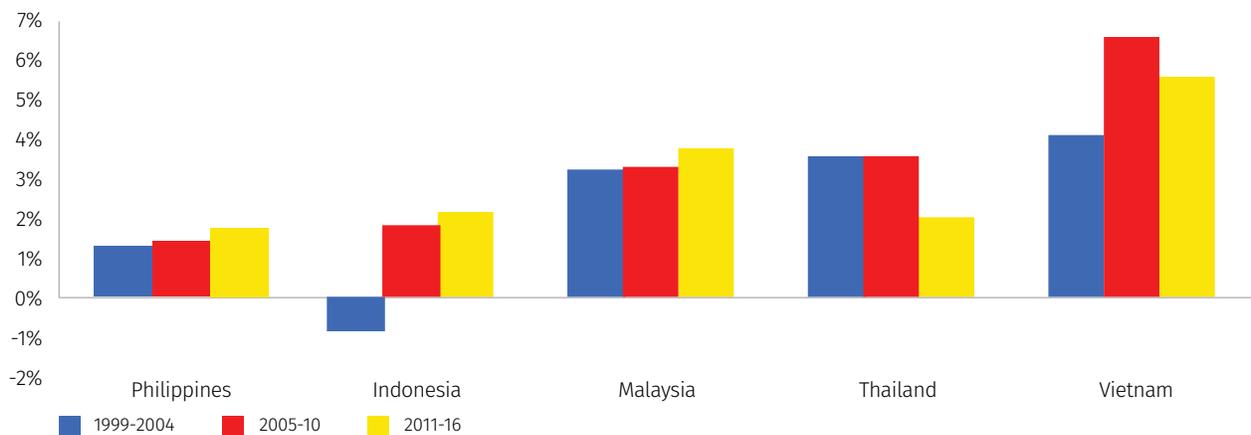
Philippine start-ups raised a total of \$28.8 million from venture capitalists (VC) in 2018, the smallest amount among major ASEAN economies. Myanmar, a much smaller economy with a lower per capita income, outperformed the Philippines with \$32.8 million of VC funding while Indonesia attracted \$1.6 billion (Venzon 2019). Philippine regulators recently denied the application of Go-Jek, an Indonesian ride-hailing firm, to enter the market because of its ownership structure.

Months earlier, they ordered Angkas to stop ferrying passengers because motorbike transport services were not permitted. The Philippines' youthful demographic and its large population make e-commerce an attractive investment opportunity, but regulations restrict foreign investment in retail.

A symptom of limited competition is that foreign direct investment in the Philippines remains low relative to its peers.

Limited FDI results in part from restrictions on foreign investment. Such barriers include explicit rigidity stipulated in the Philippine Constitution, which imposes foreign investment restrictions on natural resources, public utilities, mass media, educational institutions, and the practice of professions. In addition, the country's foreign investment negative list puts a 40 percent cap on foreign equity ownership in most sectors. As a result, compared with its peers in the region, the country's level of FDI is still low—2.6 percent of GDP versus 4.3 percent in Malaysia in 2016 (Figure 35). Moreover, a decomposition of net FDI into direct-equity and intercompany borrowing reveals that direct-equity investment in the Philippines' economic sectors fell from 0.8 percent of GDP in 2005 to 0.7 percent in 2016. Most of the increase in net FDI has been due to an increase in intercompany investment through debt instruments, which increased from 0.3 percent of GDP in 2005 to 1.7 percent in 2016.¹⁵

Figure 35: Net FDI as Percentage of GDP



Source: World Development Indicators.

14 The index measures the timeliness of deliveries, quality of infrastructure assets, logistics quality and competence, and the ability to track and trace shipments.

15 Debt instruments include the borrowing and lending of funds between direct investors and subsidiaries, branches, and associates. Debt instruments include loans, debt securities, financial leases, and suppliers' credit (trade credit and advances).

Among the 62 countries included in the Organisation for Economic Co-operation and Development (OECD) FDI Regulatory Restrictiveness Index, the Philippines is the most restrictive in terms of FDI regulation.

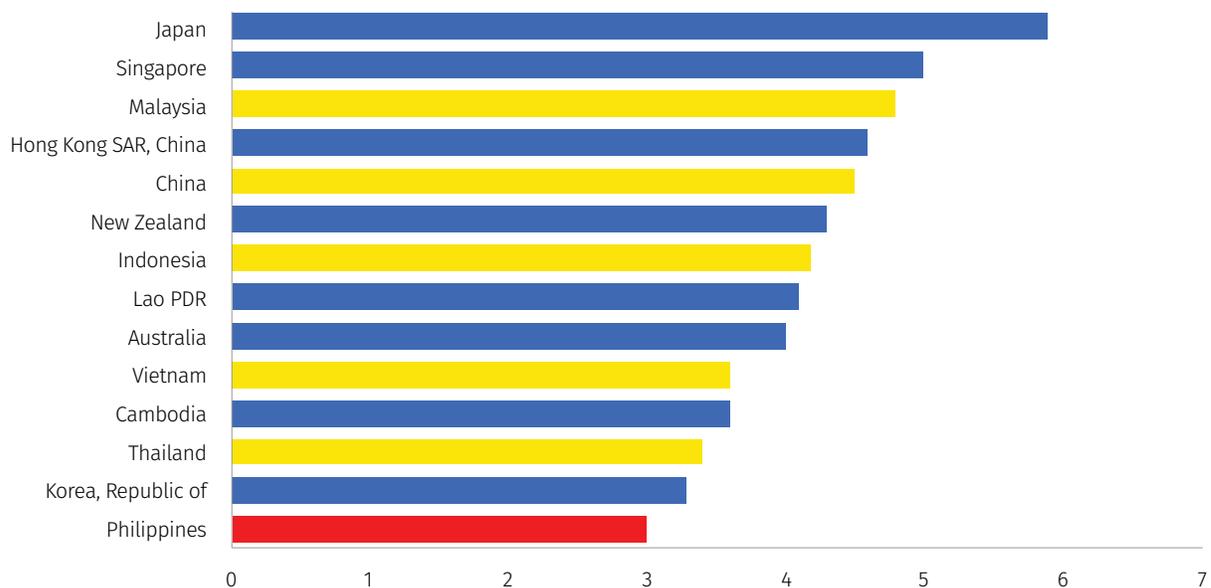
The country belongs to the top five most restricted countries in almost all sectors and tops the list in terms of equity restrictions. There are foreign investment restrictions in several industries typically open to FDI, including utilities, retail, and education.

Sectors that received FDI experienced the highest productivity growth. The bulk of overall FDI over 2014–18 flowed to the metals, real estate, hotels and tourism, food and tobacco, and coal, oil, and gas sectors. The largest sources of FDI were China (20 percent of all FDI), Japan (16 percent), and the United States (13 percent), according to data from IFC's Cross-Border Investment Tracker. Sectors that received FDI in the form of direct-equity investment had either high productivity growth or high productivity levels. Firm-level evidence shows that regardless of the sector, firms with foreign capital are more productive than firms with only domestic capital. In addition, firm productivity tends to increase with more foreign ownership.

A result of restricted competition is that across many sectors the Philippine economy is dominated by a small number of players. The Global Competitive Report (Schwab and Sala-i-Martin 2017) rates the Philippines 119 out of 137 countries on the extent of market dominance, making it one of the worst performers in the region (Figure 36). Very high levels of market concentration are found in transport, agriculture, wholesale and retail, and manufacturing, as measured by Herfindahl–Hirschman Index (HHI) thresholds (World Bank 2018c). These sectors also show high price-cost margins (PCMs), a proxy for lack of competition. The average four-firm concentration ratio across all subsectors rose from 71 percent in 1988 to 81 percent in 1998 with the most concentrated subsectors involving the production of intermediate and capital goods such as machinery and transport equipment (Aldaba 2008).

Major steps have been taken in recent years towards improving competition. In 2016, the government formed the Philippine Competition Commission (PCC) to implement the 2015 Competition Act, which prohibits anticompetitive practices and regulates mergers and acquisitions. In 2018, an Ease of Doing Business law was signed.

Figure 36: Extent of Market Dominance in Selected East Asia and the Pacific Economies, 2017-18



Source: Markets and Competition Policy Team elaboration on the World Economic Forum's (WEF) The Global Competitiveness Report 2017–18 (Schwab and Sala-i-Martin 2017) and World Development Indicators (database, World Bank, Washington, DC).

Notes: A lower number indicates a greater level of dominance by a small number of firms. Regional peers are shaded yellow.

3.2. Labor Market Rigidities

Labor regulations in the Philippines are relatively restrictive. On the Global Competitiveness Index, the Philippines ranked 77th out of 137 countries on the ease of hiring and firing, which makes it more restrictive than all of its regional peers: Malaysia, China, Indonesia, Thailand, and Vietnam. In practice, it is very difficult and costly for firms to dismiss regular workers. The country’s minimum wage is considered high by several measures, both relative to Filipino worker productivity and to the minimum wage of other countries with similar income levels. Finally, redundancy costs are high in the Philippines at 27 weeks of salary, resulting in a rank of 118 out of 136 countries (World Bank 2018c).

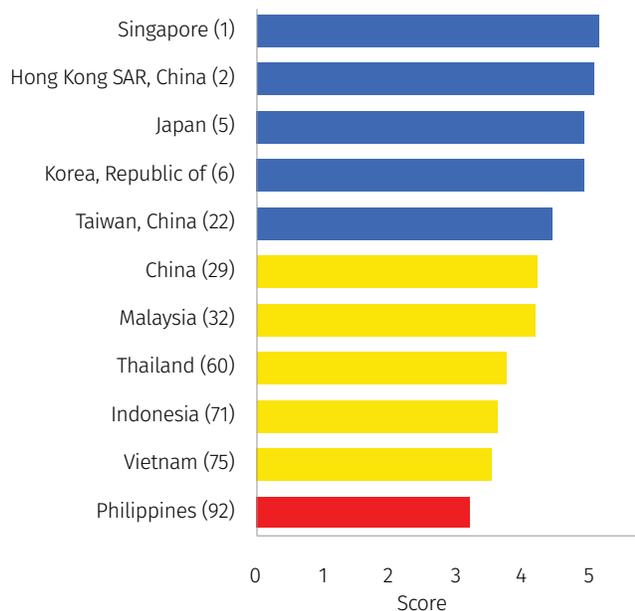
The restrictive labor regulations may discourage employers from hiring workers on long-term regular contracts. Among workers employed by private firms, only 44 percent report that they are enrolled in the social security system, a mark of long-term regular employment. The remainder are employed informally or on short-term “endo” contracts without benefits and job protection.

3.3. Infrastructure Gaps

Weak infrastructure in many areas has been a primary constraint to inclusive growth. Reliable quality infrastructure is the foundation for private sector growth and job creation. In particular, infrastructure that connects the poor to opportunity or provides basic services to a wide swath of the population can boost inclusion. A study using province-level panel data for the Philippines shows that access to infrastructure significantly boosts growth of the nonfarm sector in rural areas where most Filipinos below the poverty line live (Fuwa, Balisacan, and Piza 2016).

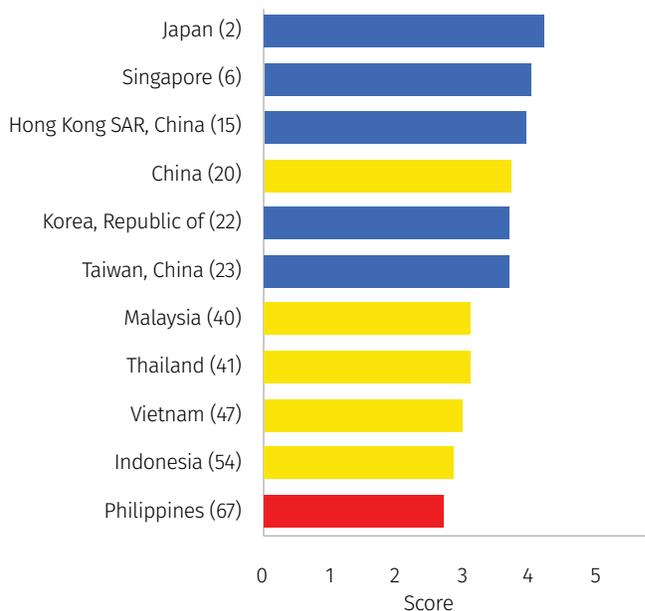
The Philippines has underinvested in infrastructure, leading to a large infrastructure deficit. The scale of the country’s infrastructure deficit is reflected in its poor rankings across various indicators. Out of 140 countries included in the World Economic Forum’s 2017–18 Global Competitiveness Index, the Philippines has the worst quality of overall infrastructure in East Asia (Figure 37). The World Bank’s latest Logistics Performance Index ranks the quality of trade and transport-related infrastructure in the Philippines 67th out of 160 countries (Figure 38).

Figure 37: Quality of Overall Infrastructure, 2018



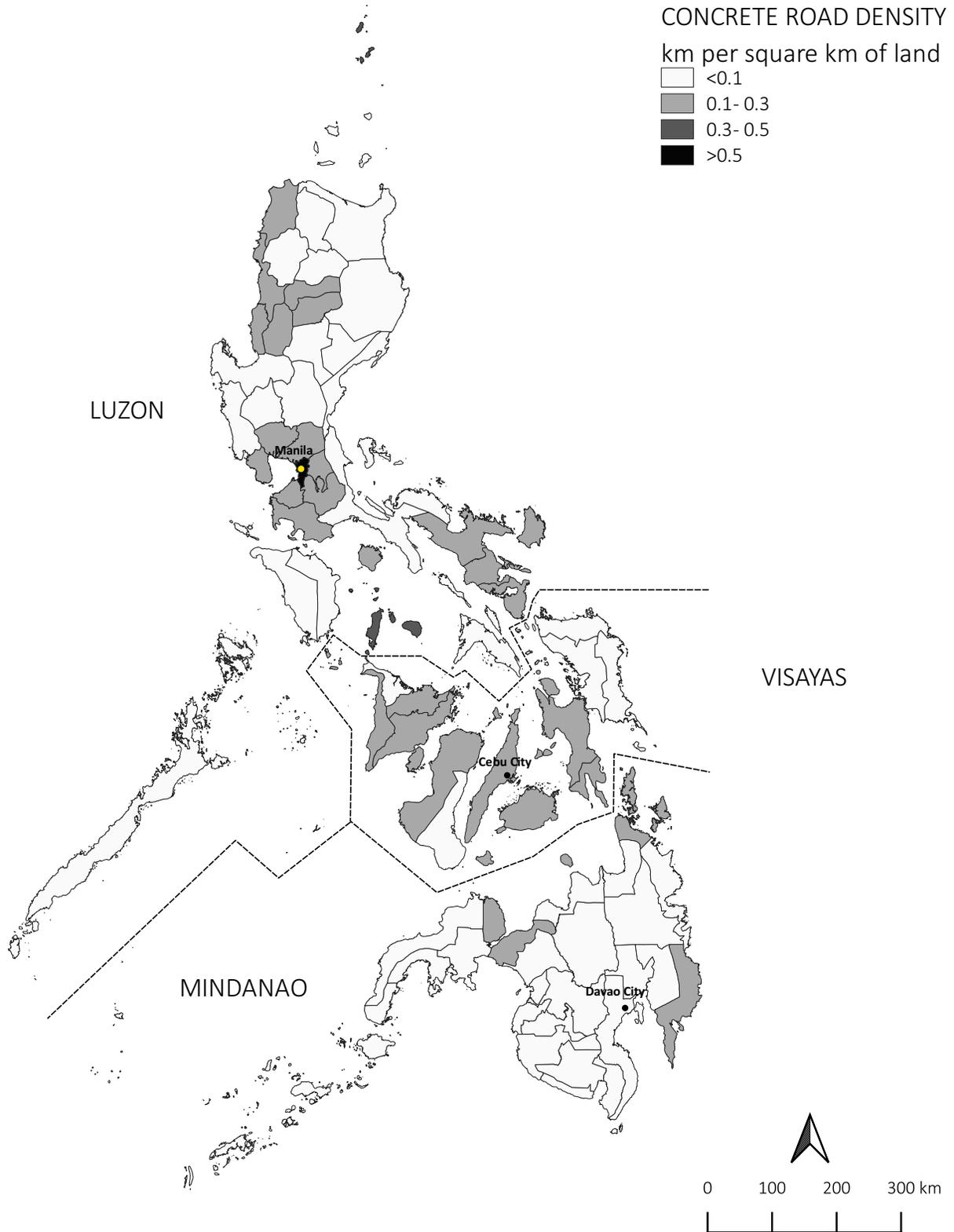
Source: Schwab and Sala-i-Martin 2017.
Notes: Regional peers are shaded yellow. Rank among 140 countries is shown in parentheses.

Figure 38: Quality of Trade and Transport Infrastructure, 2018



Source: World Bank Logistics Performance Index.
Notes: Regional peers are shaded yellow. Rank among 160 countries is shown in parentheses.

Map 2: National Road Density



Source: World Bank staff calculations using the Department of Public Works and Highways' (DPWH) 2017 Road Atlas.
Note: Kilometers of concrete road per square kilometer of land.

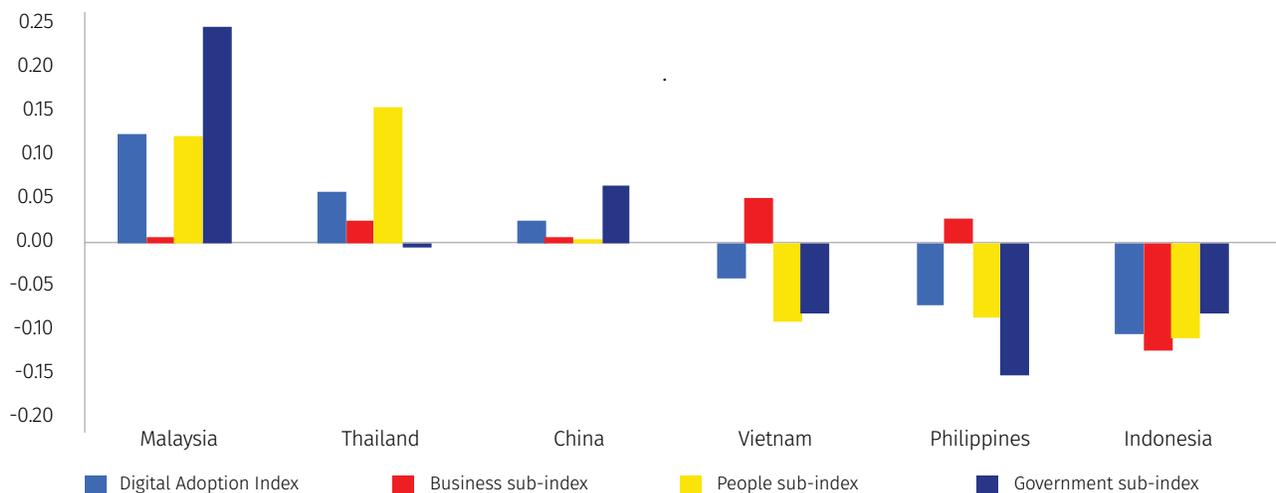
Transportation infrastructure across the Philippines faces multiple weaknesses. The challenges include chronic road traffic congestion, poorly performing seaports, and overcrowded airports. Urban transport is characterized by traffic jams, a saturated transport system, and few alternatives. Metro Manila generates approximately 13 million motorized trips per day and a total of around 19 million with the adjoining provinces. Only around 10 percent of the total daily trips for the National Capital Region are serviced by rail, versus 25 to 75 percent in comparable world cities (IFC 2016). This means that a majority of the country’s trips are made on the road. Rural road networks are insufficient, particularly in Mindanao (Map 2).

The weak performance of Philippine ports is a product of a restrictive and conflicting regulatory framework. While the Philippine Ports Authority (PPA) has regulatory jurisdiction over most ports, a number fall outside its mandate and are instead overseen by a myriad of regulators.¹⁶ Most of these authorities act as both regulators and port operators. As a result, they have a tendency to approve policies and regulations that may be beneficial to the terminal operators on the one hand, but may hurt the logistics services providers and shippers on the other (Tongzon 2018). In 2017, container cargo dwell times at the port of Manila ranged from five to eight days, compared with 3.6 days in Indonesia.

The country’s telecommunications sector is marked by high costs and low speeds. Two telecom companies own and control most of the existing telecom and Internet infrastructure. Consequently, these companies dictate access and quality for telecom services. The country has only 20,000 cell towers serving the entire population, compared with 70,000 towers in similarly sized Vietnam. The Philippines lags behind the region in mobile broadband penetration, affordability, and quality of service. Download speeds for fixed and mobile broadband are lower than in Malaysia, Thailand and Vietnam. Large portions of the country, including much of Mindanao, have very limited broadband access. The government has recently licensed a new full service operator which has not yet commenced service. Better regulation would create a more competitive market environment and thus increase access and affordability.

The Philippines is behind most regional peers in the adoption of digital technology. According to the World Bank’s Digital Adoption Index (DAI), in terms of overall use of digital technology, the Philippines lags all regional peers other than Indonesia. The DAI business subindex shows that Philippine firms rank slightly above the regional peer average but below Vietnam in terms of digital technology use. The Philippines scores low in digital technology adoption for use by people and the lowest among regional peers in digital technology adoption by government (Figure 39).

Figure 39: Digital Adoption Index for the Philippines and Regional Peers



Source: World Bank Digital Adoption Index.

Note: Values shown are deviations from the averages for the six countries.

16 These include the Cebu Ports Authority, Subic Bay Metropolitan Authority, Phividec Industrial Authority in Cagayan de Oro, ARMM Regional Port Management Authority, and local government units.

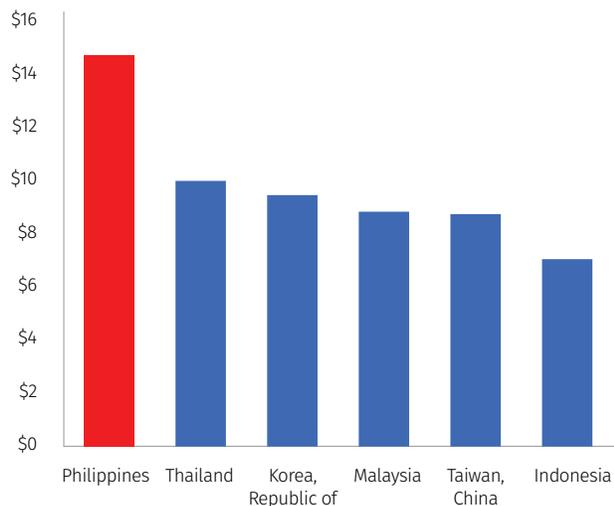
Filipinos have high rates of access to electricity but pay high prices. In 2017, 96 percent of the urban population and 90 percent of the rural population had access to electricity, behind Malaysia, Thailand, and Vietnam, which have achieved nearly 100 percent access (World Development Indicators and 2017 Philippines Demographic and Health Survey). Filipinos face some of the highest prices in the region, paying more than twice the rates in Indonesia and 50 percent more than those in Thailand (Figure 40). The high cost of energy has been cited by investors as a central reason the Philippines is unable to attract more manufacturing investments (Joint Foreign Chambers of the Philippines 2010).

A major challenge in the power sector is the lack of competition due to vertical integration. The Philippines has made great strides in achieving a competitive energy market. However, there is no explicit prohibition on cross-ownership between generation and distribution, and many supply companies are subsidiaries of distribution utilities. Cross-ownership gives the distribution firm a substantial incentive to purchase power from its affiliated generation firm, resulting in higher prices than a competitive market would yield. Reforms to ensure vertical separation

between distribution and supply would reduce prices for consumers (Rudnick and Velasquez 2019). (A further discussion on energy and particularly the prospects for expanding renewable energy can be found in the Resilience chapter of this report.)

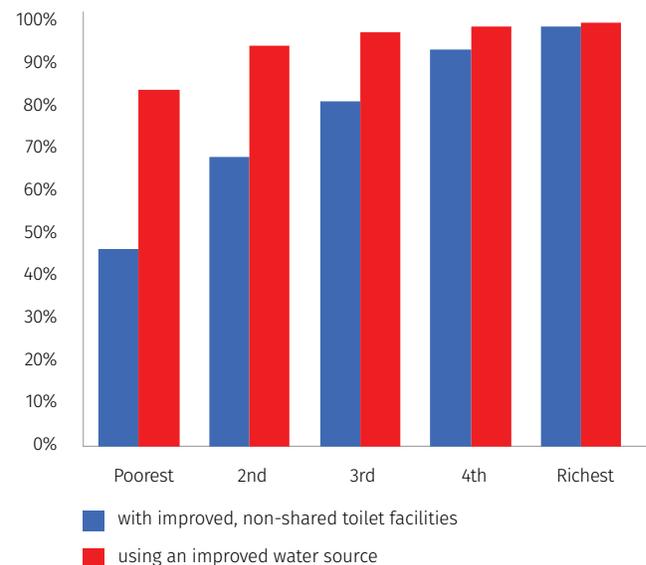
Significant gaps exist in the provision of water and sanitation services for Filipinos. Although the large majority of Filipinos have access to improved water sources, more than half of those in the poorest quintile lack access to improved sanitation. Access is far lower in ARMM, where just 71 percent have access to improved sources of drinking water and 35 percent have improved sanitation. The large majority of improved sanitation facilities nationally are septic tank systems, which can pose health hazards if not properly maintained and during flood conditions. Only 4.5 percent of Filipinos (6 percent in urban areas) have a toilet connected to a piped sewer system. Lack of access to adequate sanitation is one driver of the country's very high level of child stunting. Lack of water and sanitation infrastructure is also a constraint for water-intensive industries like food and beverage manufacturing and for tourism, starkly illustrated by the closure in 2018 of Boracay due to inadequate sanitation infrastructure and environmental compliance.

Figure 40: Average Retail Electricity Costs (USD/kWh), 2016



Source: International Energy Consultants 2016.

Figure 41: Access to Water and Sanitation by Income Quintile, 2017



Source: World Bank staff calculations based on the 2017 National Demographic and Health Survey.

Closing these gaps is envisioned under the Philippine Water Supply and Sanitation Masterplan being finalized by the government. Metro Manila has also faced water scarcity that is affecting the population. The water demand for the city is increasing compared to the available supplies, creating water scarcity and highlighting the need to augment water supply by developing new water sources. In addition, more than 95 percent of the water is sourced from the Angat dam which is located near a geological fault. In case of an earthquake affecting the dam, there is a major risk that water supply will be interrupted to the city that is an engine of growth for the country. The Government is considering preparation of a road map to ensure water security in Metro Manila which should include measures to reduce water losses and also increase the capacity to produce more water to meet the increasing demand.

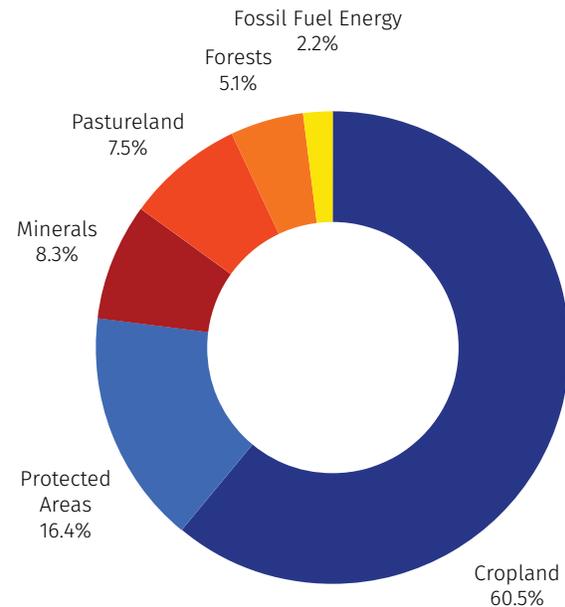
Capital markets need to be better developed and leveraged to provide the required long-tenure finance for infrastructure projects. The amount of capital available in the Philippines market is significant but not sufficient to keep pace with the actual demand for infrastructure financing. There is a need to deepen the capital markets by introducing new capital market solutions and products to promote local currency financing and project bond-issuance that create long-term liquidity for new infrastructure and PPP projects. These would need to be coupled with enabling regulatory reforms to maximize the mobilization of capital from both domestic and foreign investors.

3.4. Natural Capital: Agriculture, Fisheries, and Natural Resources

Natural capital contributes significantly to the Philippines' wealth. A 2014 World Bank study estimated that natural capital—as opposed to human capital and produced capital—accounts for 18 percent of the country's total capital.¹⁷ Cropland accounts for the bulk of the natural capital in this measure (Figure 42). However, this is an underestimate because it does

not factor in coastline and marine natural resources, which yield fishery output and are responsible for much of the country's tourism potential.

Figure 42: Sources of Philippine Natural Capital, 2014



Source: Lange, Wodon, and Carey 2018.

Underperformance of natural resource-dependent sectors leaves considerable unrealized potential for increasing the economic contribution of natural capital. The agriculture and fisheries sectors perform significantly below their potential. Forestry production is a fraction of former output following widespread deforestation and depletion of remaining timber stocks in the latter part of the 20th century. Although the Philippines is endowed with rich natural assets tourism can rely on, it ranks 75th out of 136 in World Economic Forum's (WEF) Travel and Tourism Competitiveness Index, significantly behind its regional neighbors. Box 3 discusses the challenges the tourism sector faces. On the basis of geology, the Philippines is expected to have similar mineral resources as its close neighbors such as Indonesia and Papua New Guinea, but very little exploration has happened in the last 20 years.

¹⁷ Based on 2014 data from the Changing Wealth of Nations data set.

Box 3: Case Study: Tourism

The tourism industry provides a clear example of how constraints to the private sector have limited inclusive growth and the creation of good jobs. The Philippines has substantial natural advantages for tourism: some of the most spectacular beaches and most renowned diving spots in the world, natural sites such as rice terraces and mountains for trekking, a friendly and English-speaking population, a rich and fascinating history, and a vibrant and fun-loving culture. Yet relatively few foreigners visit the Philippines. In 2017, the Philippines received just 7 million international arrivals, a fraction of the arrivals to Vietnam (13 million), Malaysia (26 million), and Thailand (36 million). Tourism receipts and investment are also relatively low in the Philippines. The experiences of the Philippines' neighbors suggest that tourism has high potential to generate inclusive growth and jobs.

The poor performance of the tourism industry is the result of factors that affect the private sector more broadly. Transport and energy infrastructure used by tourists is typically of low quality and high cost, making the Philippines an expensive destination compared with its neighbors. Restricted competition has limited investment, and limited government capacity, most notably at the local level, has resulted in haphazard planning and partial implementation of tourism strategies.

The sector faces critical sustainability concerns.

In 2018, the government closed Boracay for six months to address a range of issues such as environmental degradation due to insufficient solid waste management. The law requiring establishments to connect to sewage treatment plants has not been enforced, resulting in untreated water discharged into the sea. Similar problems affect other top tourism destinations such as El Nido, Panglao, Coron, and Siargao.

The tourism sector is attracting far less investment than its regional competitors, in part due to restrictions on competition. It is estimated that the Philippines invested \$1.9 billion in the tourism

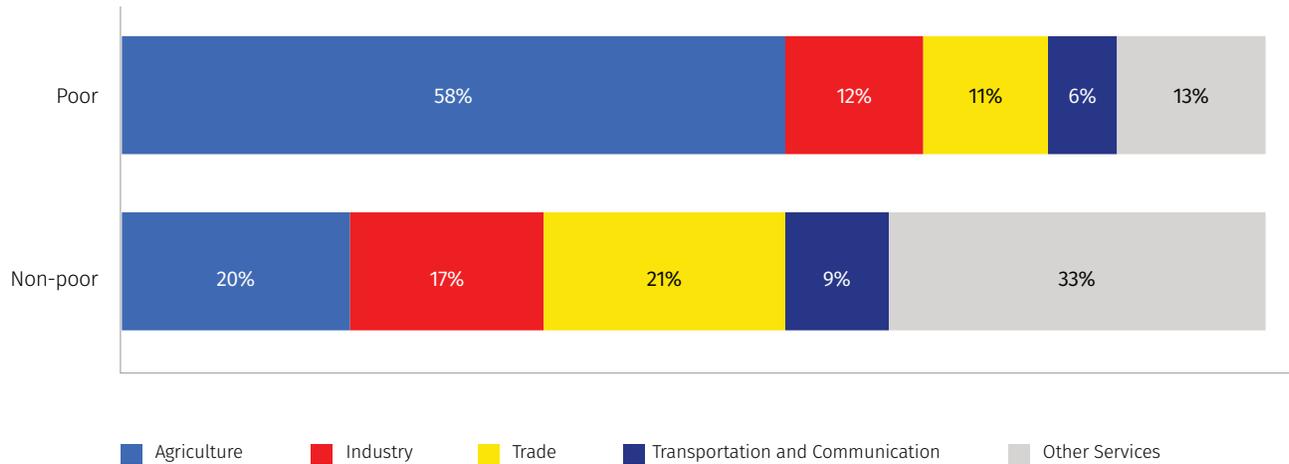


sector in 2017, lagging far behind Indonesia (\$12 billion), Thailand (\$7.7 billion), Malaysia (\$5.3 billion), and Vietnam (\$5.1 billion). The tourism sector only accounted for 2.4 percent of private sector investment in the Philippines that year. Investment is particularly lacking in the accommodations sector. Foreign ownership of tourism assets, particularly land, is restricted.

The provision of infrastructure is largely the responsibility of local government units (LGUs), which generally lack the capacity to deliver it. The Local Government Code of 1991 was intended to provide greater autonomy, responsibilities, and resources to LGUs. However, most LGUs lack the technical capacity to implement infrastructure projects and provide services in a timely and quality manner.

Despite the low level of investment and international arrivals, the sector is growing, fueled by rising domestic consumption. In 2017, the Department of Tourism (DOT) recorded over 97 million local tourist arrivals who spent ₱2.6 trillion in aggregate. During 2011-17, the sector grew at over 14 percent per year, reaching 21 percent of GDP in 2017. This suggests that addressing the constraints to the tourism industry could attract large numbers of international arrivals and make the industry an engine of inclusive growth and jobs.

Figure 43: Employment Share by Sector, 2015



Source: World Bank (2018a).

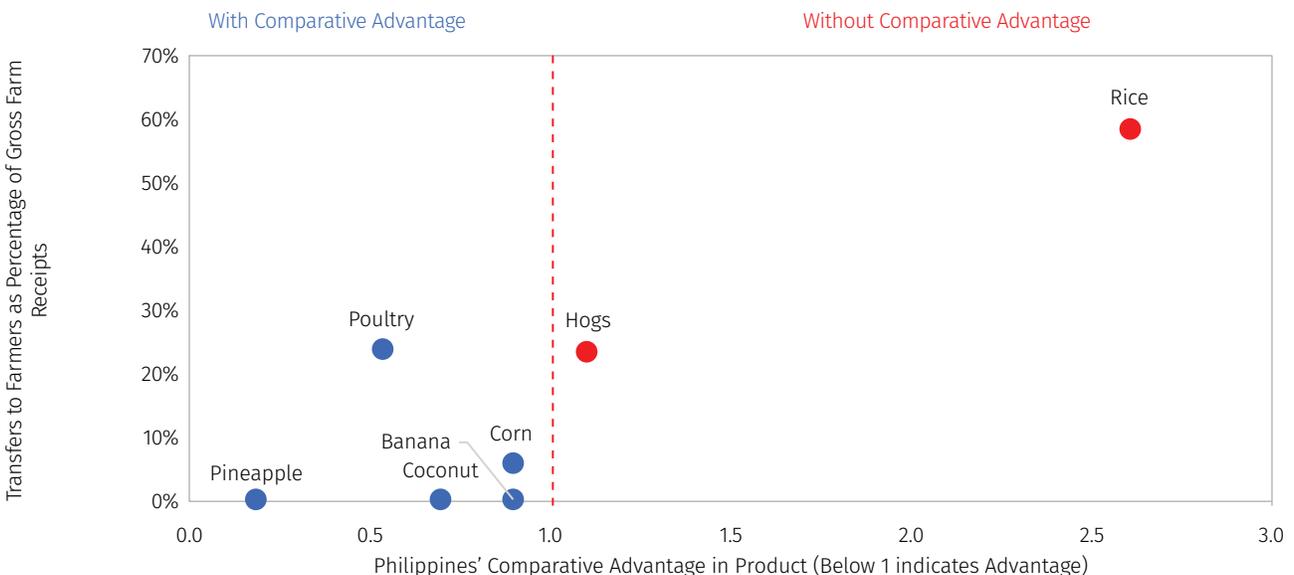
Agriculture has greatly underperformed but has high potential. Agriculture’s share of GDP in 2017 was 9 percent and its annual growth rate lower than other Southeast Asian countries. About 70 percent of the country’s poor reside in rural areas and depend on agriculture for their livelihoods and employment (Figure 43).

Longstanding agricultural policy has been focused on promoting rice, a crop for which the country does not have a comparative advantage (Figure 44). The Philippines was until recently among a handful of countries with quota restrictions on rice imports. These

quotas kept the price of rice very high, benefitting only the small number of farmers who were net rice sellers. The policies on rice also effectively discouraged farmers from moving into other products, stifling the growth of the agriculture sector.

The government recently enacted the Rice Liberalization Law which replaces import quotas with tariffs. The Law has lowered rice prices for consumers. It is expected to encourage farmers to move into other commodities and should shift attention to addressing other constraints faced by the sector.

Figure 44: Commodity Price Support vis-à-vis Comparative Advantage



Source: Briones 2014.

An overarching challenge for agriculture is the looming impact of climate change. The country is highly exposed to climate-related shocks, which often affect agriculture. Projected temperature increases of 3-4 degrees Celsius by the end of the century and associated changes in weather patterns threaten to dramatically disrupt agricultural production.

Three other major constraints for agriculture have been lack of adequate extension services for farmers, poor rural infrastructure, and access to finance.

Research and extension linkages are limited and not sufficiently focused on addressing identified gaps in promoting value chains and climate risks. A barrier to developing markets for agriculture products has been poorly developed infrastructure for transport, particularly all-weather farm-to-market roads, ports, and interisland shipping. As of December 2017, only about 60 percent (1.89 million hectares) of potential irrigable area is irrigated. Irrigation infrastructure has been primarily designed for rice cultivation, thus missing opportunities for crop diversification. Additionally, existing governmental programs to support access to finance in agriculture and provide crop insurance have limited outreach. The forthcoming Agriculture and Fisheries Modernization Plan is expected to outline strategies to improve address these and other constraints and support agri-food systems.

A final challenge for agriculture—and for development more generally, particularly in rural areas—is the weakness of land tenure. There are overlapping mandates between various institutions with authority over land administration. Issues for the reform agenda include establishing an integrated land information system for all types of land that integrates information across agencies, simplifying procedures to transfer and document owners' rights, and clarifying land use regulations so they are clearly reflected in land documents and easily enforced.

Land policy restrictions also limit investment and the rollout of infrastructure. Constitutional restrictions

prohibit foreigners from legally acquiring and fully owning land in the Philippines. Corporations with foreign ownership need to have at least 60 percent domestic ownership to be able to acquire land. Issues linked to land tenure affect infrastructure investments through difficulties in legally acquiring right of way.

While the Philippines remains a major fisheries producer, production has declined. Annual losses of ₱5.7 billion per year are estimated to be incurred due to illegal and unlicensed fishing, depleted stocks, unsustainable coastal development, pollution, climate change, and postharvest losses at around 40 percent of catch. As a result, the country fell from being the fourth largest global producer to the 12th in the past 20 years.

The mining industry has dramatically contracted over the past 40 years. The Philippines has gone from being one of the global top 10 exporters of gold, copper, nickel, and chromite to a marginal producer of all minerals except nickel. A combination of investment restrictions, high taxation, and environmental and social concerns has virtually halted new exploration and mine development. A large number of operating mines and abandoned mine sites have caused negative environmental and social impacts. Mining operations are largely seen as enclave economies dissociated from public planning of infrastructure and social services in the areas of operation.

More recently, the Philippines' successful implementation of the Extractive Industries Transparency Initiative (EITI) has created a platform for dialogue between civil society, private operators, and government agencies. The Philippines is one of only five countries worldwide fully compliant with EITI requirements concerning openness and accountability of fiscal contributions from the industry. The EITI presents an opportunity for the industry and decision makers to engage in coordinated planning of the future role of the mining sector in integrated planning of land and natural resources as well as provision of infrastructure and social services.

Box 4: The Experience of Land Reform in the Philippines

The Philippines has launched multiple land reform initiatives over a period of decades. The most far-reaching was the Comprehensive Agrarian Reform Program (CARP) and its successor, the CARP Extension with Reforms (CARPer), which ended in 2014. Roughly 2.8 million agrarian reform beneficiaries (ARBs) have received land. Various evaluations find at best modest impacts of the land reform on poverty (Ballesteros et al. 2018, Ravago et al. 2018, World Bank 2009). A recent study estimated that the program reduced agricultural productivity by 17 percent on affected land (Adamopoulos and Restuccia 2019). Amid many competing views about land reform, there is a consensus that its results have not met expectations. What went wrong? The literature identifies five factors:

Restriction on title transfer. Land titles issued under the program cannot be sold or leased for 10 years after the effective date of the transfer. Restrictions on transfer continue even after this period has elapsed. As a result, titles have limited value as collateral.

Collective titles. Almost half of the total number of hectares (nearly 2.17 million hectares) of land distributed were issued with collective land titles. These titles have little or no collateral value and constrain options for farmers in choosing crops and technology.

Excessively low ceiling. Landowners subject to the program could retain only five hectares, and beneficiaries are allowed to own only three hectares. These limits are more restrictive than in most historical

land reform cases. The low ceilings stopped farmers from adjusting the scale of their farms to achieve efficiency, thus discouraging private investment.¹⁸

Undermining by elites. Owners of large plantations count among the economic and political elite. In many cases, they avoided the application of land reform to their land altogether or negotiated with tenants to end up with arrangements highly favorable to the landowners.

Lack of complementary support. Land reform was intended to be tied to technical and infrastructure to farmers, including access to well-functioning irrigation systems and extension services for marketing and technical training. These services in practice have been limited.

¹⁸ Adamopoulos and Restuccia (2019) show that by a “restrictiveness ratio”—the land holding ceiling relative to the average farm size prior to the reform—CARP’s ceiling was more restrictive than those in Bangladesh, Ethiopia, the Republic of Korea, Pakistan, and Sri Lanka.